COMMENT

secretary

From: Ed Zimmer [edz@jworkshops.com]
Sent: Friday, January 15, 2010 12:07 PM
To: secretary
Subject: Proposed Federal Speculative Position Limits for Referenced Energy Contracts and Associated Regulations

C.F.T.C.
OFFICE OF THE SECRETARIAT
2010 JAN 15 PM 3 08

10-1
25

Good Day,

While I believe the CFTC has erred in not including Metals within the proposed rule, I support the CFTC taking the first steps towards placing position limits on markets under their jurisdiction. I understand that the Commission feels the need to allow for bone fide exemptions, however I believe that these exemptions should be just that, not a rubber stamp. Exemptions should be issued only where the entity can demonstrate a need for limits beyond what other traders are limited to. That should be a physical need, not a financial speculation desire.

In the metals complex, two US banks are short 30% of all Commercial Short Positions, reflecting a sell position of 189Moz of silver. Not only is that shorting almost a third of the yearly world silver production, it is 4 times the amount of registered silver available in COMEX depositories. Altogether, the CME COMEX silver market has 625Moz of silver under contract, nearly 94% of the entire worlds mined supply of silver (670Moz as of 2008). Since a bank or banks are not consumers of silver and have no business interest in silver other than speculative positions, a single entity or two controlling more than 30% of a side would seem to be manipulative, especially if it is a short position which is only effective if prices are suppressed on a commodity. The fact that these positions have only grown as the price has increased also points to an attempt at suppression and an inability to cover the position if delivery is demanded.

Given that the COMEX depositories only have 54Moz of silver registered to cover delivery requests, yet are contracting 625 Moz, it would seem that in order to cover their contracts, the short positions would be forced to move to the open market to buy which would significantly drive up the price to cover their positions. Settlement of the positions in cash is the only option which again points to the excessive speculative nature of the positions, rather than the need to hedge for future production/utilization needs. If just eleven percent of the long positions demanded settlement in metal, the COMEX depositories would be wiped out. This means that 89% of the market is trading in a product that cannot be readily provided and is never intended to be settled in product. That is a speculative market.

Existing limits are a joke and even some of the proposed limits are little more than first steps towards reining in unnecessary speculation in a physical market which distorts actual value based on supply demand. When the supply side can claim unlimited supply and not have to produce the same, then the market is no longer on the futures, but on speculation as to which direction the price will travel and is trading a cash basis for a physical commodity. We might as well be setting futures on widgets without ever needing to produce one for settlement.

There should be limits. Traders should have to be able to cover what they are shorting. Ten traders shorting the same single ounce of silver is speculation and it is manipulative. When settlement comes, there are nine of the ten that are going to be out of luck.

Ed Zimmer
Webb City, Missouri

Received CFTC
Records Section
1/15/2010